



**universe**  
group plc

Annual Report and Accounts  
for the year ended 31 December 2015

Stock Code: UNG

**BUILDING INNOVATIVE  
PARTNERSHIPS WITH  
WORLD-LEADING RETAILERS**



# ABOUT UNIVERSE GROUP

**UNIVERSE GROUP IS INCORPORATED IN THE UK AND OPERATES THROUGH HTEC, A SPECIALIST IN PAYMENT, LOYALTY AND FORECOURT TECHNOLOGY.**

"We are pleased with the progress made over the year, particularly in expanding our presence within the convenience store sector, a key strategic focus.

Financial results show strong operating profit growth of 18% and a significant increase in profit margins. This has been supported by a combination of new product development and the winning of major new contracts, including Conviviality plc, announced in October 2015.

Universe remains well placed for further progress in 2016. We will continue to develop our established position in the petrol forecourt market and seek to achieve further strong growth in the convenience store sector. At the same time, we will look for opportunities to enter additional retail verticals. We will continue to invest in the expansion of our product range and services so as to further enhance our offering. We also expect to tender for contracts with major new customers."

Robert Goddard  
Chairman



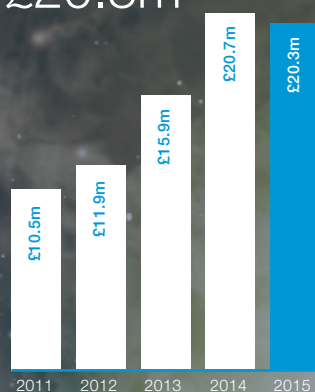
VISIT OUR CORPORATE WEBSITE AT:  
[WWW.UNIVERSEPLC.COM](http://WWW.UNIVERSEPLC.COM)



## HIGHLIGHTS

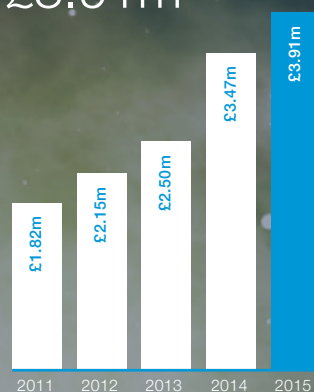
Revenue

£20.3m



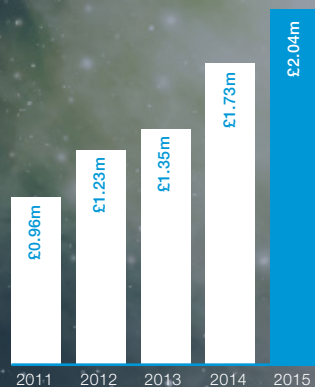
Adjusted EBITDA

£3.91m



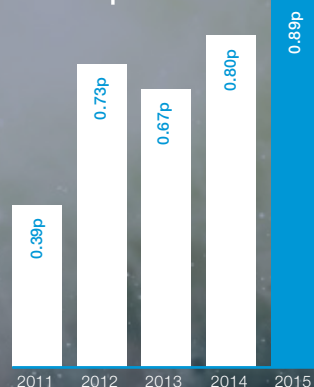
Operating Profit

£2.04m



Operating Profit Per Share (p)

0.89p



## FINANCIAL HIGHLIGHTS

- Continued encouraging progress including landmark convenience store contract win
- Total revenues of £20.33m (2014: £20.75m)
- Gross profit up 4% to £6.74m (2014: £6.49m) reflecting change in revenue profile
- Operating profit up 18% to £2.04m (2014: £1.73m)
- Profit before tax of £1.68m (2014: £1.75m)
- Profit after tax up 7% to £1.50m (2014: £1.41m)
- Operating profit per share up 11% to 0.89p (2014: 0.80p)
- Statutory basic EPS up 1.5% to 0.66p (2014: 0.65p)
- Strong cash generation with net cash at year end up to £2.14m (2014: £0.24m)

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## OPERATIONAL HIGHLIGHTS

- Continued expansion within the convenience store sector
- Major contract win with Conviviality Plc in October
- Acquisition of Spedi in April extends convenience retail offering
- Ongoing development of product offering
- Two Board appointments (in May and September)
- Board remains positive about growth prospects



# UNIVERSE AT A GLANCE

**UNIVERSE GROUP PLC IS INCORPORATED IN THE UK AND ITS MAIN OPERATIONS ARE IN THE UK AND IRELAND.**

## Est.1979

Established in 1979, HTEC has enjoyed major growth from its investments in software and specialist hardware.

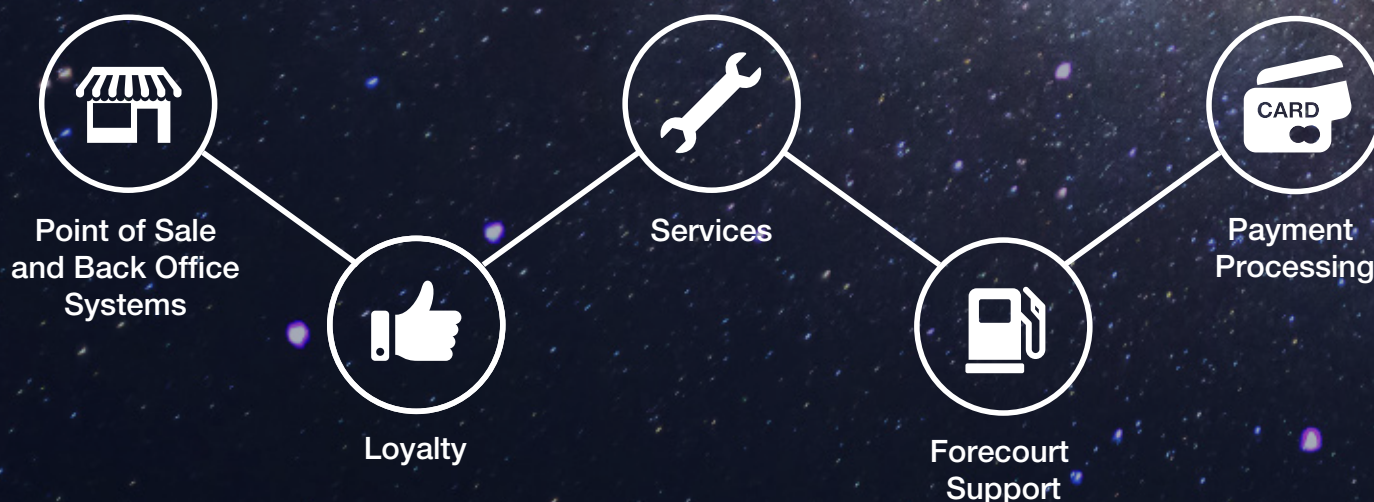
### What we do

**Our subsidiary Company HTEC Ltd is a leading provider of point of sale, payment and loyalty solutions.**

Established in 1979, HTEC has enjoyed major growth from its investments in software and specialist hardware and the company now provides payment and loyalty solutions for some of the UK's major retailers.

### What makes us different

- Much of the Company's technology focuses on areas requiring legislative and regulatory approvals related to banking, trading standards and petroleum retailing.
- The approvals environment requires specialist knowledge, patience and investment which HTEC has perfected and these skills are a major strength of the business and a strong barrier to entry for would-be competitors.







### HTEC in brief

- Europe's leader in payment, loyalty and forecourt technology
- £8 billion payment transactions per annum processed on HTEC equipment
- 50% of the main UK supermarkets use HTEC products and services
- 3,500 UK petrol stations use HTEC solutions
- Bespoke, innovative solutions to meet your needs
- In-house Design, Development and Manufacture
- Core values of Innovation and Customer Support





# CHAIRMAN'S STATEMENT

“We are positive about our prospects for further growth and look forward to another year of good progress”

## £2.14m

cash at the end of the year

### Introduction

The Group made encouraging progress during 2015, in particular by expanding its presence in the convenience store market, a key strategic focus. Results for the year show an 18% increase in operating profit to £2.04m (2014: £1.73m), with operating profit margins improving to 10% from 8%. This was achieved on total revenues of £20.33m (2014: £20.75m). While revenues reduced by 2% year on year, this reflected our decision to cease a number of low margin contracts late in 2014. The benefit is reflected in improved gross profit margins, up to 33% from 31% in 2014, and an increase in gross profit to £6.74m (2014: £6.49m).

The Group continues to generate strong cash flows from operations, which increased by 15% to £3.42m. The balance sheet remains strong, with net cash at the year end up to £2.14m (2014: £0.24m).

Looking ahead for 2016, Universe remains well placed to make further progress and we continue to consider opportunities for growth.

### Overview

As expected, sales over the year were weighted significantly towards the second half, reflecting the timing of hardware and software deployments. At £11.50m, second half sales were 30% ahead of the first half and gross profit was 53% up.

A notable feature of the second half was the winning of a large and prestigious contract with Conviviality Plc, the UK's largest franchised off-licence and convenience store chain. This is a significant endorsement of our strategy to extend the Group's presence in the convenience store market. Secured after an international competitive tender process, it also reflects the strength of our proprietary product offering. Deployment of our products began in January 2016 and continues to date, with the roll-out of our system covering Conviviality's entire estate of over 650 stores. As well as facilitating and managing sales processing and secure payments, our software will also manage online ordering and provide an extensive reporting suite.

The development of our product offering remains important to us and we continued to invest across our products over the year. This included the acquisition in April 2015 of Spedinorcon Limited ('Spedi'), a developer and supplier of advanced software for the convenience store market. Spedi products are used across an established estate of more than 1,500 convenience stores, mainly across the Costcutter and Londis networks.





There will be further investment in our products in 2016. Our plans include refinements to our loyalty platform, which will provide a more modular solution, alongside a series of initiatives to expand our existing product range. Our aim is to become a 'one-stop shop' for retail technology and we see this being achieved through a combination of organic growth, bolt-on acquisitions and collaboration with partners. We are pleased with the increasing awareness of HTEC's products in the convenience store market, which we intend to capitalise on over the coming year.

### The Board

The Board was strengthened with two new appointments over the year. In September, we were delighted to welcome Baljit (Billy) Tank as an Executive Director with responsibility for Group Sales and Marketing. Billy joined the Group in 2013 with our acquisition of Indigo Retail Holdings Limited, which he founded and led.

In May, we were pleased to appoint Andrew Blazye as a Non-Executive Director. Andrew has extensive knowledge of our core markets, having over thirty years' experience in loyalty marketing, petrol retailing and payments systems.

### Staff

2015 was a busy year for the Group as we moved through the phases of developing products, winning contracts and deploying new solutions for customers. We would like to thank all our staff for their hard work, creativity and dedication over the year. Their efforts and skills underpin the Group's success in serving our existing customers and winning new ones.

### Summary and outlook

We made good progress in 2015, winning important contracts and continuing to develop our product offering. The roll-out of contracts won last year is now under way and we are working hard to ensure their successful delivery.

We will further expand our presence in the convenience store sector and continue to develop our well-established presence in the petrol forecourt market. With our widened and enhanced product suite and strong service offering, we believe that we are well-placed to satisfy evolving customer needs in both markets. In addition, we continue to explore new retail verticals and new geographic markets. We will also invest in products and services and thereby improve further our market position.

We are positive about our prospects for further growth and look forward to another year of good progress.

### Robert Goddard

Chairman

11 April 2016





# STRATEGIC REPORT

## THE DIRECTORS PRESENT THEIR STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

# £1.50m

profit after tax compared with £1.41m in 2014

### Principal activity

The Group designs, develops and supports point of sale, payment and online loyalty solutions and systems for the UK petrol forecourt and convenience store markets. These solutions can be provided as a comprehensive, fully managed offering or as discrete products to complement a wider customer solution.

Universe's solutions are delivered via the Cloud into high volume, real-time environments. Product innovation and high levels of customer care are critical to the Group's success and we continue to focus strongly on both areas.

### Organisational overview

The Group's business is directed by the Board and managed by the Executive Directors, led by Chief Executive, Jeremy Lewis. A senior management team, comprising the Chief Executive, the Chief Financial Officer, the Sales and Marketing Director and Senior Executives, is responsible for Operations, Human Resources, Development and Data Centres.

There are three Non-Executive Directors. The main operating entity is HTEC Limited.

### Strategy and business plan

We continue to invest in our products and services to ensure that they meet the current and anticipated needs of our customers.

Our objective is to be the prime solutions partner to retailers, supplying them with our market-leading, innovative systems for point of sale, payment and loyalty operations. These systems are real-time, mission-critical and data rich and our customers rely on us to keep them trading at all times. Accordingly, effective and efficient support from our data centre teams, engineer field force and helpdesk professionals remains vital to what we do.

In 2015 we provided new and improved product offerings to our existing customers and won new strategic accounts. We are targeting further growth in both our established market of petrol forecourts and in our newer market of convenience stores. In addition, the possibility of entry into new market verticals and geographies is under review.

A number of acquisition opportunities were considered during 2015 and we were pleased to complete the acquisition of Spedinorcon Limited, a provider and developer of retail software, in April 2015. The business is now fully integrated into the Group.





## Business and product development

The need for business and product development is constant and so 2015 was another busy year. Examples of new developments in 2015 include our new Back Office System (Calisto), Head Office System (Jupiter), advertising media screens (locaste) and point-to-point payment encryption layer (Perseus). We expect further sales of this enhanced product set in 2016 and beyond.

## Financial review

Total sales for the year to 31 December 2015 decreased by 2% to £20.33m (2014: £20.75m), with this reduction reflecting our decision to cease some low margin service contracts inherited with the acquisition of Retail Service Team in 2013. The benefit of exiting these contracts can be seen in both the gross profit result, which increased by 4% to £6.74m (2014: £6.49m) and the gross margin improvement to 33% (2014: 31%).

Operating profit for the year increased by 18% to £2.04m from £1.73m in 2014, with the operating margin increasing by 25% to 10% from 8%. The achievement of a 10% operating margin has been an important target for the Group.

Net finance costs increased by £0.39m to £0.36m (2014: income of £0.03m). This increase reflected a revision to the estimated contingent consideration due in 2016 to the vendors of Indigo (which was acquired in 2013), and results from our success in the convenience store market. Consequently, a provision of £0.22m released in 2014 was largely reversed in 2015. As a result of these movements, profit before tax decreased by 4% to £1.68m (2014: £1.75m).

Profit after tax rose by 7% to £1.50m (2014: £1.41m). The tax charge reduced from £0.35m to £0.18m, partly as a result of prior year credits that were recognised in 2015.

Basic and diluted earnings per share respectively increased by 1.5% to 0.66p (2014: 0.65p) and by 5% to 0.63p (2014: 0.60p). However, with the year-on-year variations in finance expenses, these measures do not provide a satisfactory indication of the Group's progress in 2015.

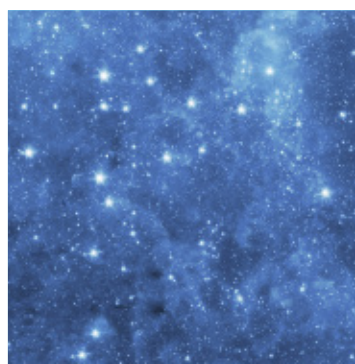
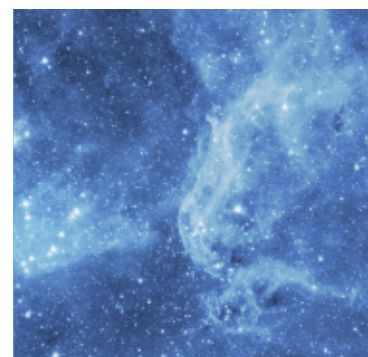
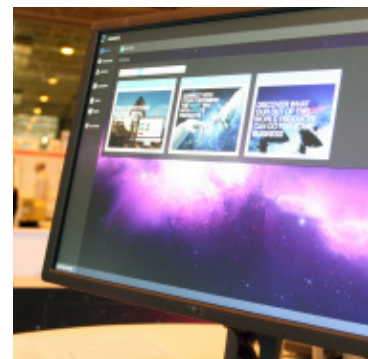
A better measure is operating profit per share, which increased by 11% over the year to 0.89p (2014: 0.80p).

## Cash flow and financing

Adjusted EBITDA (as defined in note 2) rose by 13% to £3.91m (2014: £3.47m). This supported a 15% increase in net cash inflow from operating activities to £3.42m (2014: £2.96m).

We continued to invest in our products in 2015, spending £0.61m on the development of our product portfolio (2014: £1.15m). The main investment was into our new Jupiter, Calisto and locaste products, which are attracting interest from existing and prospective customers.

Cash inflow for the year increased by 21% to £1.32m (2014: £1.09m) and net cash at 31 December 2015 stood at £2.14m (2014: £0.24m).





# STRATEGIC REPORT

## Principal risks and uncertainties facing the Group

The principal risks facing the Group relate to:

- Concentration of customers such that three customers accounted for 64% of turnover in 2015 (2014: 59%). Such a level of concentration clearly provides the Group with risks associated with loss of business and consequently the Group strives to secure long term contracts wherever possible and to provide high service levels and innovative product development. We also invest in business development initiatives in order to broaden the customer base. Whilst customer concentration has increased in percentage terms this is due to an increasing spend from those customers, with revenue derived from them increasing by 5%. This is largely due to an equipment replacement programme with one of the top three customers.
- Technological risks inherent in the Group's product set which are vulnerable to continual demands for improvements to functionality and competition from other suppliers. The Group continues to invest heavily in research and development in order to improve its product set and increase the value of them to its customers;
- The costs associated with maintaining bank and other approvals which allow the Group to operate as a payment system provider. These regimes are onerous and do require continuous product refresh, which the Group is committed to undertaking. The approvals regime, however, does provide a barrier to entry into the marketplace, providing a stable platform to be a value-added supplier;
- Changes within the UK target markets of petrol forecourt and convenience stores, which are the source of much of the Group's revenue. As major oil companies have withdrawn from retailing operations we are seeing significant ownership changes across the market. This provides both an opportunity and a threat. The Group's response is to continue to develop market-leading products and to ensure they can be integrated as widely as possible to the other technologies used in petrol retailing and convenience.

Jeremy Lewis,  
CEO of Universe, commented:

“We are delighted to be working with such a market-leading retailer as Conviviality. This is a significant contract win for us that highlights the Group's progress in entering the convenience store and grocery sector and underlines the market confidence in our new, innovative product set.”

## NEW CUSTOMER WIN

### Major contract win with Conviviality Plc

In October 2015 HTEC signed a major contract with Conviviality Plc (“Conviviality”), the UK's largest franchised off-licence and convenience store chain with the Bargain Booze fascia. Under this contract, revenues over the next three years are expected to amount to approximately £4.3 million.

The contract, secured after an international competitive tender process, is for the supply and maintenance of a comprehensive, integrated suite of HTEC's proprietary next-generation point of sale, back office, head office and payment systems together with related ongoing customer support. The systems will be installed across Conviviality's entire estate of over 650 off-licence and convenience stores. As well as facilitating and managing sales processing and secure in-store payments, HTEC's products will also manage online ordering and deliver an extensive reporting suite.



## Key performance indicators (KPIs)

The main KPIs that management monitors within the Group are:

- Sales order inflow to ensure that annual sales budgets are on schedule. Order booking targets are set for each sales person at the beginning of the year and discussed on a weekly basis by the Executive team. The order booking target for 2015 was £10.3m. This target was not achieved in 2015, although a better mix of business than budgeted compensated for the shortfall at the gross profit level.

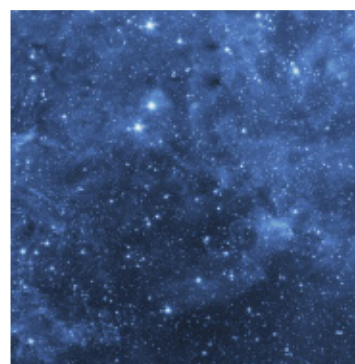
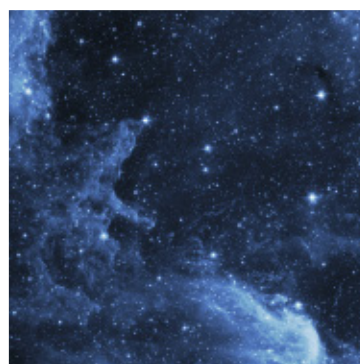
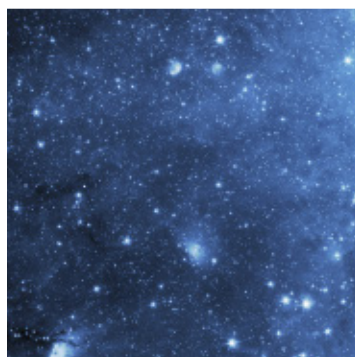
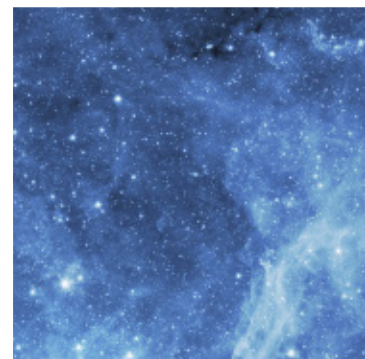
- Operating profit from management accounts which are prepared each month in order to monitor that forecast profitability is achieved. Management accounts are discussed at the Executive team meetings, and monthly Board meetings. The Group operating profit margin percentage was budgeted at 10.5% for 2015. The Group achieved this measure in six out of 12 months.
- Performance against contracted service level agreements ('SLAs'). SLAs are monitored on a weekly basis and discussed with customers at quarterly review meetings. SLA performance of 98% was achieved in 2015 against SLA targets of 93%.

## Summary

As a software business operating in the fast-moving retail environment, we have continued to prosper over the past three years through focused product innovation and careful attention to customer service. In 2015 we continued to build on our strong presence in the petrol forecourt sector and have strengthened our presence in the larger market of convenience stores. A combination of customer expansion and a broadening product portfolio means that we are confident that the pleasing progress that the Group has been made so far can be continued.

### Jeremy Lewis

Chief Executive Officer  
11 April 2016





# DIRECTORS' REPORT

## THE DIRECTORS PRESENT THEIR REPORT AND THE AUDITED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2015

**£2,694,000**

expenditure on research  
and development

**£612,000**

of development costs  
capitalised

### Going concern

UK Company Law requires Directors to consider whether it is appropriate to prepare the financial statements on the basis the Company and Group are going concerns. Throughout the financial statements there are various disclosures relating to going concern. This Directors' Report summarises the key themes and references those areas where greater disclosure is given.

The Group has good visibility of recurring revenues, which make up a significant proportion of annual revenues. However the Group does still have some exposure to current economic conditions which have the potential to impact annual revenues. The Directors have therefore prepared downside sensitised forecasts for the current and following years.

The Group's main sources of finance are finance leases and institutional loans. The year end amounts outstanding on each are discussed within note 18.

The downside sensitised forecasts have been reviewed by the Directors to ensure that the profit and cash generation derived from these forecasts are sufficient to ensure that the existing bank facilities are sufficient to meet the Group's requirements. This is discussed further within liquidity risk in note 22 and is the key factor in relation to going concern.

As a result of this review, the Directors are of the opinion that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the financial statements.

### Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries, and the Group's financial risk management policies is given in note 22.

### Environment

The Group's policy with regard to the environment is to ensure that the Group's operational subsidiaries understand and effectively manage the actual and potential environmental impact of their activities. Operations are conducted such that they comply with all the legal requirements relating to the environments in which they operate. During the period covered by this report no Group company has incurred any fines or penalties or been investigated for any breach of environmental regulations.

It is Group policy to continually carry out research and development on new products and processes to minimise the impact of its operations on the environment.



## Employees

The quality and commitment of the Group's employees has played a major role in the success of HTEC over the years. This has been demonstrated in many ways, including improvements in customer satisfaction, the development of new product lines and the flexibility employees have shown in adapting to changing business requirements and new ways of working. Employee turnover remains below the 15% target set by the Executive Directors.



## Research and development

The Company has a continuing commitment to a high level of research and development. During the year expenditure on research and development of £2,694,000 (2014: £2,855,000) was charged to the statement of comprehensive income. In addition, development costs of £612,000 (2014: £1,146,000) were capitalised. Research and development in the year concentrated on the development of new Back Office and Head Office systems, and a cloud-based content management platform.

## Dividends

The Directors do not propose the payment of a dividend (2014: £Nil).

## Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 24. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 30 and no person has any special rights of control over the Company's share capital and all issued shares are fully paid.

## Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors. These provisions remain in force at the date of this report.

## Annual General Meeting

The resolutions to be processed at the Annual General Meeting to be held on 28 June 2016, together with explanatory notes, appear in the separate Notice of Annual General Meeting sent to all shareholders.



# DIRECTORS' REPORT

## Substantial shareholdings

As at 24 March 2016 the Company had been notified of the following substantial holdings in the ordinary share capital of the Company.

Shareholder	No. of ordinary shares	% of voting rights and issued share capital
Downing LLP	55,942,294	24.19
Ennismore Fund Management	24,870,751	10.75
Amati Global Investors	23,907,056	10.33
B K Tank	11,804,257	5.10
Alto Investments	9,450,380	4.09
Barclayshare Nominees	9,152,789	3.96

## Directors

The Directors who served during the year and to the date of approval of the financial statements were as follows:

R Goddard (Chairman)  
 J M J Lewis  
 M Coster  
 R J Smeeton  
 A R Blazye (appointed 6 May 2015)  
 B K Tank (appointed 8 September 2015)

Those Directors serving at the end of the year, or date of this report, had an interest in the ordinary share capital of the Company at 31 December as follows:

	2015 Number	2014 Number
R Goddard	1,184,000	1,184,000
J M J Lewis	–	–
M Coster	936,500	936,500
R J Smeeton	386,240	386,240
A R Blazye	100,000	–
B K Tank	15,304,257	13,324,434

On 25 January 2016 Mr Tank sold 3,500,000 ordinary shares and Mr Smeeton acquired 240,000 ordinary shares in the Company.

The Directors had no other disclosable interests under the Companies Act 2006 in the shares of the Company or of any other Group company.

Details of the Directors' share options are provided in the Directors' Remuneration Report on page 19.



## Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Strategic Report, the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Disclosure of information to Auditors

At the date of making this report each of the Company's Directors, as set out on page 14, confirm the following:

- so far as each Director is aware, there is no relevant information needed by the Company's Auditors in connection with preparing their report of which the Company's Auditors are unaware;

- each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant information needed by the Company's Auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Post balance sheet date event

On 18 January 2016 the Group issued 9.9 million options over the 1p ordinary share capital of the Company, as set out in note 35.

### Auditors

BDO LLP served as Auditors during the year and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

### Approval

The report of the Directors was approved by the Board on 11 April 2016 and signed on its behalf by:

### RJ Smeeton

Director



# OFFICERS AND PROFESSIONAL ADVISERS

## Robert Goddard

### Non-Executive Chairman

Robert Goddard, a chartered engineer, was on the executive board of Burmah Castrol plc and previously managed its worldwide fuels business and a substantial portion of its chemicals business. He joined Amberley Group PLC in November 2000 where he was Chief Executive, responsible for turning round and selling on its four speciality chemical subsidiaries, thereby enhancing the share price substantially before leaving in 2003. More recently he has had a variety of advisory and turnaround assignments. He is currently non-executive chairman of AIM quoted Hardide plc. Robert joined Universe in May 2011.

## Malcom Coster

### Non-Executive Director

Malcolm Coster joined the Universe Group Board in August 2007 and is an experienced businessman who has held senior international positions in the Management Consultancy and Information Technology industries. Malcolm is an experienced chairman, board member and non-executive director of several well-known public companies.

## Andrew Blazye

### Non-Executive Director

Andrew Blazye joined the Universe Group Board in May 2015 and has considerable experience in many of the Group's activities including loyalty, petrol retailing and payment systems. He is currently a member of the global executive team at FleetCor Technologies Inc, a NYSE-listed provider of specialised payment products and services to businesses. Prior to FleetCor he was a director of Dunhumby Ltd (a Tesco subsidiary), global general manager of payments at Royal Dutch Shell and a non-executive director of businesses in the loyalty and petrol forecourt service sectors. He is a Fellow of the Institute of Directors.

## Jeremy Lewis – Chief Executive Officer

### Executive Director

Jeremy Lewis joined Universe in September 2013 as Chief Executive Officer. Jeremy has a BSc in engineering from Imperial College, London and from there joined KPMG where he qualified as a Chartered Accountant. He spent the next 11 years in investment banking with the focus on M&A and equity capital markets in both the US and Europe. Jeremy has extensive experience in technology-based companies active in areas such as mobile networks, digital media and software for such companies as Eidos, Terraplay Systems and Catalis.

## Bob Smeeton – Finance Director

### Executive Director

Bob Smeeton joined Universe in June 2008 as the Finance Director of HTEC Limited, the Company's principal operating subsidiary. Bob, who qualified as a chartered accountant whilst at Price Waterhouse, was previously at OpSec Security Group PLC, an AIM quoted Company, latterly as its European finance director. He was appointed Group Finance Director on 1 January 2009.

## Baljit ('Billy') Tank – Sales and Marketing Director

### Executive Director

Billy Tank joined Universe in May 2013 upon the acquisition of Indigo Retail Holdings Limited, where he was the founder and major shareholder. Billy has been involved in petrol and convenience store retail systems for most of his career, initially at Arciris Limited before selling that business to Torex Retail plc in 2002. Billy left Torex in 2005 to found Indigo. He joined the Board of Directors of Universe Group plc in September 2015 as Sales and Marketing Director.



**Directors**

R Goddard (Chairman)  
 J M J Lewis  
 M Coster  
 R J Smeeton  
 A R Blazye  
 B K Tank

**Secretary**

R J Smeeton

**Registered Office**

Southampton International Park  
 George Curl Way  
 Southampton, SO18 2RX

**Website**

<http://www.universeplc.com>

**Nominated Adviser**

FinnCap  
 60 New Broad Street  
 London, EC2M 1JJ

**Solicitors**

Blake Morgan  
 New Kings Court  
 Tollgate  
 Chandlers Ford  
 Eastleigh, SO53 3LG

**Bankers**

Bank of Scotland  
 144/148 High Street  
 Southampton, SO14 2JF

**Registrars**

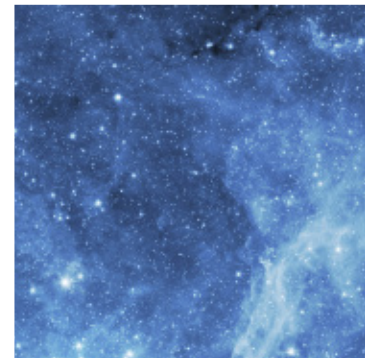
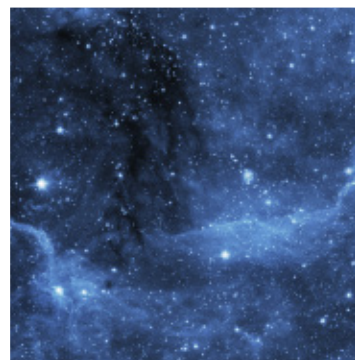
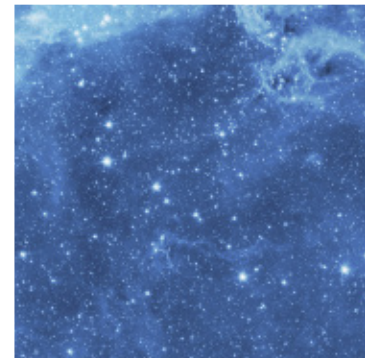
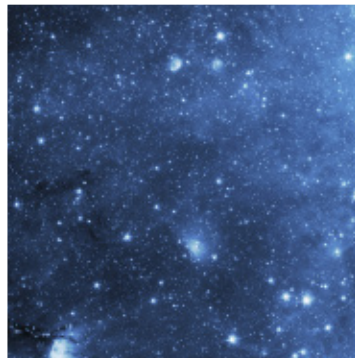
Capita Registrars  
 Northern House  
 Woodsome Park  
 Fenay Bridge  
 Huddersfield, HD8 0LA

**Registered Number**

02639726

**Auditors**

BDO LLP  
 Arcadia House  
 Maritime Walk  
 Ocean Village  
 Southampton, SO14 3TL





# CORPORATE GOVERNANCE REPORT

The Board is accountable to the Company's shareholders for good governance. The following statement describes the key corporate governance policies that have been adopted by the Company. The Company is not required to follow, and does not claim compliance with, the UK Corporate Governance Code.

## The Board

As at the date of signing of these accounts, the Board has three Executive Directors and three Non-Executive Directors; including the Chairman.

## Role of the Board

During the year, Board meetings were held each month except August and each Director serving at the time attended each Board meeting except for Mr Blazye who missed two meetings during the year due to personal commitments.

At the monthly Board meetings, the CEO reports on the overall financial performance for the previous month, business development, technical, commercial and health & safety matters. The Finance Director reports in detail on the financial performance and any secretarial matters. Other business is conducted after these regular reports. Minutes of Board committee meetings held since the previous formal Board meeting are received and decisions made by those committees are ratified.

Whilst the bulk of the formulation of budgets and strategy is undertaken by the Executive Directors, this is done against a framework set by the whole of the Board, challenged by the Board and finally approved by it.

There is a formal schedule of matters reserved for the Board. This includes the setting of high level targets, approval of budgets, capital expenditure and major contracts. Authority levels for expenditure are delegated to individual Executives or the Executive Management Committee according to a schedule agreed by the Board.

There are two Board committees.

These are the Audit Committee and the combined Remuneration and Nomination Committee.

## Non-Executive Directors

The Company and its Board are not large enough to warrant a formal Senior Non-Executive position. Instead, the other Non-Executives are actively consulted by the Chairman and they provide feedback to one another on the various matters initiated by them.

Service agreements for Non-Executive Directors are agreed by the Board.

They are available for inspection at the Company's registered office and at the location of the AGM for a period before the meeting begins.

## The Board as a whole

Collectively and individually, the Directors monitor the performance of the Board and its members on a range of measures. These include attendance, familiarity with the Board packs, the quality of those Board packs, an understanding of the matters under discussion, the ability to contribute to Board discussion and the quality of the challenge made to Executive proposals and performance and the thoroughness of reporting and recommendations made by the Board committees.

Because of its small size and the cost of the process, a formal evaluation of Board performance by an outside agency is not believed to be appropriate. The Remuneration and Nomination Committee has not recommended that such a process is implemented.

All Directors have access to independent professional advice at Company expense if it is felt by them in their own judgement that it is needed to enable them to discharge their duties and that the cost of such advice is reasonable in the circumstances.

## Membership of Board sub-committees

Malcolm Coster and Andrew Blazye are the members of the Remuneration and Nomination Committee. All three Non-Executive Directors are members of the Audit Committee. Where matters before a committee concerns one or other of these members, the member in question withdraws and is replaced by the Executive Directors.

The main purposes and terms of reference of each Board committee are summarized below.

## Remuneration and Nomination Committee

The Remuneration and Nomination Committee meets as required but at least once per year. The duties of the Remuneration and Nomination Committee are to:

1. Determine and agree with the Board the framework or broad policy for the remuneration of the Group's Chief Executive, Chairman, the Executive Directors, the Company Secretary and such other members of the Executive management as it is designated to consider.
2. Approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes and determine the individual schemes and payments that apply to the Executive Directors.
3. Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used.



4. Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
  5. Within the terms of the agreed policy and in consultation with the Executive Directors, as appropriate, determine the total individual remuneration package of each of the senior executives who report to the Executive Directors, including bonuses, incentive payments and share options, other share awards or other benefits.
  6. Oversee any major changes in employee benefits structures throughout the Company or Group.
4. Consider and make recommendations in relation to the appointment, re-appointment and removal of the Group's external Auditor; oversee the relationship with the external Auditor; meet regularly with the external Auditor, including at least once a year without management being present; review and approve the annual audit plan; review the findings of the audit with the external Auditor; and review the effectiveness of the audit.
  5. Review the operation of the Group's policies for anti-bribery and whistleblowing and recommend to the Board any changes to the policies or their operation.

### Audit Committee

The Audit Committee meets formally twice each year with the Group's Auditor at appropriate times during the reporting and audit cycle, and otherwise as required. The duties of the Audit Committee are to:

1. Monitor the integrity of the financial statements, including the annual and interim reports; review the consistency of accounting policies; review whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments; review the methods used to account for significant or unusual transactions; review the clarity of disclosure in the Group's financial reports; and review all material information presented with the financial statements.
  2. Review the effectiveness of the Group's internal controls and risk management systems, and to review and approve the statements included in the Annual Report concerning these.
  3. Review the Group's arrangements for its employees to raise concerns about possible wrongdoing, and ensure these arrangements allow proportionate and independent investigation; and to review the Group's procedures for detecting and preventing bribery and fraud.
1. There is a comprehensive budgeting system with the annual budget being approved by the Board. Actual results and updated forecasts are prepared as needed and compared against budget;
  2. The annual capital investment budget is approved by the Board; together with significant individual items prior to commitment; and
  3. Significant treasury items are reserved for the Board.

### Communication with shareholders

Presentations by the Chairman and Executive Directors of interim and full-year results are offered to all major shareholders. Other smaller shareholders are welcome to make contact with the Company and wherever possible their concerns or questions are responded to by a Director, in person.

Major shareholders are also canvassed for their views on the remuneration of Directors.

On behalf of the Board

### Robert Goddard

Chairman

11 April 2016

# DIRECTORS' REMUNERATION REPORT

## The Remuneration Committee

The Remuneration Committee consists of Malcolm Coster and Andrew Blazye. The role of the Committee is to determine, on behalf of the Board, the Company's policy on Executive Directors' and other senior employees' remuneration, within set written terms of reference approved by the Board. The remuneration of the Non-Executive Directors is approved by the Board of Directors. As Chairman of the Committee, I have been asked by the Board to report to you on all remuneration matters on its behalf.

## Remuneration policy

The remuneration policy of the Group is:

1. to provide a suitable remuneration package to attract, motivate and retain Executive Directors who will run the Group successfully;
2. to formulate a package that will include a significant proportion of performance related pay and to align the Directors' personal interests to those of the shareholders;
3. to ensure that all long term incentive schemes for the Directors are approved by the shareholders.

Other than as disclosed at note 32 and as shareholders, none of the Committee has any personal financial interest, conflicts of interest arising from cross-directorships or day to day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about their own remuneration. The Remuneration Committee members are expected to draw on their experience to judge where to position the Group, relative to other companies and other group's rates of pay, when considering remuneration packages for executives. The Committee may use outside professional advice if they consider it necessary, and such advice was sought in this respect in 2015 from the remuneration consultancy H2glenfern Limited, who carried out a comparative study of executive remuneration in companies similar to Universe Group plc.

Benefits in kind include the provision of medical insurance premiums and a car or car allowance. All Executive Directors participates in the Group's pension plan. The pension contributions represent the Group's contribution to defined contribution pension plans. Bonuses and benefits in kind are not pensionable.

All of the Executive Directors have service contracts, which provide for notice periods of no more than one year. All the Non-Executive Directors have service contracts, which provide for notice periods of three months.

The Remuneration Committee recognises the importance of appropriate incentive arrangements in assisting with the recruitment and retention of senior executives. The Remuneration Committee believes that share based incentives align the interests of employees with those of shareholders but recognises that options to acquire shares at their market value on the date of grant are not always the most appropriate way to achieve this.

All of the Executive Directors participate in EMI option schemes and two of the Executive Directors, together with two of the Non-Executive Directors participate in unapproved option schemes.

These options will vest only upon the achievement of a set market prices for the shares of Universe Group plc, and will lapse if a) the Directors leave employment for any reason other than a 'Good Reason' as defined within the scheme rules and b) at the end of the tenth anniversary of the date of grant.



## Director's detailed emoluments

	Salary and fees £000	Benefits £000	Bonus £000	Pension £000	2015 £000	2014 £000
<b>Executives</b>						
J M J Lewis	170	9	58	17	254	320
R J Smeeton	120	6	41	13	180	236
B K Tank (appointed 8 September 2015)	39	5	41	3	88	–
<b>Non-Executives</b>						
R Goddard	46	–	–	–	46	48
M Coster	31	–	–	–	31	31
A Blazye (appointed 6 May 2015)	20	–	–	–	20	–
	426	20	140	33	619	635

## Directors' share options

Details of share options held by Directors over the ordinary shares of the Company are set out below. The Remuneration Committee considers and recommends all new long term incentive arrangements for the Executive Directors and other employees.

The market price of the Company's shares at the end of the financial year was 8.75p per 1p share (2014: 6.75p per 1p share) and the range of market prices during the year was between 6.75p and 10.38p.

		At 1 January 2015	Granted	Exercised	Cancelled	At 31 December 2015	Exercise price	Vesting price
J M J Lewis	EMI	3,440,000	–	–	–	3,440,000	4.5p	9.5p
J M J Lewis	Unapproved	560,000	–	–	–	560,000	4.5p	9.5p
J M J Lewis	Unapproved	1,644,500	–	–	–	1,644,500	5.5p	9.5p
R Goddard	Unapproved	1,500,000	–	–	–	1,500,000	1p	5p
R Goddard	Unapproved	1,750,000	–	–	–	1,750,000	4.25p	6p
R Goddard	Unapproved	250,000	–	–	–	250,000	5.5p	9.5p
M Coster	Unapproved	875,000	–	–	–	875,000	1p	5p
M Coster	Unapproved	100,000	–	–	–	100,000	5.5p	9.5p
R J Smeeton	EMI	1,500,000	–	–	–	1,500,000	1p	5p
R J Smeeton	EMI	1,750,000	–	–	–	1,750,000	4.25p	6p
R J Smeeton	EMI	1,178,500	–	–	–	1,178,500	5.5p	9.5p
		14,548,000	–	–	–	14,548,000		

# DIRECTORS' REMUNERATION REPORT

Directors' share options are exercisable only upon the achievements of a target share price as set out above and in certain cases have a minimum vesting period. Details are set out below:

Director	Number of options	Exercise price	Vesting date	Date of grant
R Goddard	1,500,000	1p	18 December 2012	18 December 2012
R Goddard	1,750,000	4.25p	26 July 2016	26 July 2013
R Goddard	250,000	5.5p	28 October 2017	28 October 2014
J M J Lewis	3,440,000	4.5p	13 November 2016	13 November 2013
J M J Lewis	560,000	4.5p	13 November 2016	13 November 2013
J M J Lewis	1,644,500	5.5p	28 October 2017	28 October 2014
M Coster	500,000	1p	30 July 2013	30 July 2013
M Coster	125,000	1p	30 July 2013	18 December 2012
M Coster	250,000	1p	18 December 2012	18 December 2012
M Coster	100,000	5.5p	28 October 2017	28 October 2014
R J Smeeton	937,500	1p	30 July 2013	18 December 2012
R J Smeeton	312,500	1p	26 January 2015	18 December 2012
R J Smeeton	250,000	1p	18 December 2012	18 December 2012
R J Smeeton	1,750,000	4.25p	26 July 2016	26 July 2013
R J Smeeton	1,178,500	5.5p	28 October 2017	28 October 2014

## Interests in shares

Interests in shares have been disclosed in the Directors' Report on page 12.

## Malcolm Coster

Chairman of the Remuneration Committee  
11 April 2016



# INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Universe Group Plc for the year ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company balance sheets, the consolidated and company cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Malcolm Thixton

(senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
Southampton  
United Kingdom  
11 April 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015

	Note	Total 2015 £'000	Total 2014 £'000
<b>Revenue</b>	2,3,4	<b>20,327</b>	20,749
Cost of sales		<b>(13,591)</b>	(14,261)
<b>Gross profit</b>		<b>6,736</b>	6,488
Administrative expenses		<b>(4,698)</b>	(4,760)
<b>Operating profit</b>	2	<b>2,038</b>	1,728
Finance income	5	<b>10</b>	220
Finance expense	5	<b>(373)</b>	(195)
<b>Profit before taxation</b>	6	<b>1,675</b>	1,753
Taxation	7	<b>(175)</b>	(345)
<b>Profit and total comprehensive income for the year</b>		<b>1,500</b>	1,408
		<b>Pence</b>	Pence
<b>Earnings per share</b>			
Basic EPS	8	<b>0.66</b>	0.65
Diluted EPS	8	<b>0.63</b>	0.60

The notes on pages 27 to 54 form part of these financial statements.



# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Translation reserve £'000	Profit and loss account deficit £'000	Total equity £'000
<b>Consolidated</b>							
At 1 January 2014	2,115	4,588	12,381	2,269	(225)	(4,604)	16,524
Profit and total comprehensive income for the year	–	–	–	–	–	1,408	1,408
Issue of share capital	88	–	335	–	–	–	423
Share based payments	–	–	–	–	–	107	107
At 31 December 2014	2,203	4,588	12,716	2,269	(225)	(3,089)	18,462
At 1 January 2015	<b>2,203</b>	<b>4,588</b>	<b>12,716</b>	<b>2,269</b>	<b>(225)</b>	<b>(3,089)</b>	<b>18,462</b>
Profit and total comprehensive income for the year	–	–	–	–	–	1,500	1,500
Issue of share capital	<b>110</b>	–	<b>346</b>	–	–	–	<b>456</b>
Share based payments	–	–	–	–	–	122	122
<b>At 31 December 2015</b>	<b>2,313</b>	<b>4,588</b>	<b>13,062</b>	<b>2,269</b>	<b>(225)</b>	<b>(1,467)</b>	<b>20,540</b>

The notes on pages 27 to 54 form part of these financial statements.

# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY continued

for the year ended 31 December 2015

<b>Company</b>	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve on acquisition £'000	Profit and loss account deficit £'000	Total equity £'000
At 1 January 2014	2,115	4,588	12,381	476	(6,510)	13,050
Profit and total comprehensive income for the year	–	–	–	–	202	202
Issue of share capital	88	–	335	–	–	423
Transfer between reserves	–	–	–	(331)	331	–
Share based payments	–	–	–	–	107	107
At 31 December 2014	2,203	4,588	12,716	145	(5,870)	13,782
At 1 January 2015	<b>2,203</b>	<b>4,588</b>	<b>12,716</b>	<b>145</b>	<b>(5,870)</b>	<b>13,782</b>
Loss and total comprehensive expense for the year	–	–	–	–	(333)	(333)
Issue of share capital	<b>110</b>	–	<b>346</b>	–	–	<b>456</b>
Share based payments	–	–	–	–	<b>122</b>	<b>122</b>
<b>At 31 December 2015</b>	<b>2,313</b>	<b>4,588</b>	<b>13,062</b>	<b>145</b>	<b>(6,081)</b>	<b>14,027</b>

The share capital represents the Ordinary shares of the Company issued at par which carry a right to participate in the distribution of dividends. Movements in share capital are disclosed at note 24.

The capital redemption reserve arose during previous years from the repurchase of shares out of a fresh issue of shares. The repurchase was for a nominal amount. The aggregate amount of the proceeds was less than the aggregate nominal value of the shares purchased, and therefore the value of the difference was transferred to the capital redemption reserve.

The share premium account represents the difference between the issue price and the nominal value of shares issued.

The merger reserve relates to the acquisition of HTEC Limited in previous years. The prior year transfer of merger reserve relates to the Company's investment in Master Change Limited, which was disposed of in a previous period.

The translation reserve is used to record exchange differences arising from the translation of the financial statements of overseas operations which are now dormant and immaterial to the operations of the Group.

The profit and loss account deficit represents the accumulated net gains and losses recognised in the Comprehensive Statement of Income.

The notes on pages 27 to 54 form part of these financial statements.



# CONSOLIDATED AND COMPANY BALANCE SHEET

at 31 December 2015

		Consolidated		Company	
		2015	2014	2015	2014
Company number 02639726	Note	£'000	£'000	£'000	£'000
Non-current assets					
Goodwill and other intangibles	9	14,075	14,121	–	–
Development costs	10	2,367	2,382	299	278
Property, plant and equipment	11	2,217	2,466	–	–
Investments	12	–	–	17,995	17,995
		18,659	18,969	18,294	18,273
Current assets					
Inventories	13	881	1,406	–	–
Trade and other receivables	14	4,296	4,221	3	3
Cash and cash equivalents	15	3,380	2,064	5	6
		8,557	7,691	8	9
Total assets		27,216	26,660	18,302	18,282
Current liabilities					
Trade and other payables	16	(4,445)	(5,138)	(146)	(137)
Current tax liabilities	17	(248)	(188)	–	–
Borrowings	18	(478)	(477)	–	–
Deferred consideration	19	(6)	(597)	–	(597)
Contingent consideration	20	(414)	(103)	(324)	(103)
Amounts owed to subsidiary undertakings	21	–	–	(3,725)	(3,376)
		(5,591)	(6,503)	(4,195)	(4,213)
Non-current liabilities					
Borrowings	18	(763)	(1,350)	(80)	(200)
Contingent consideration	20	(58)	(87)	–	(87)
Deferred tax	23	(264)	(258)	–	–
		(1,085)	(1,695)	(80)	(287)
Total liabilities		(6,676)	(8,198)	(4,275)	(4,500)
Net assets		20,540	18,462	14,027	13,782
Equity					
Share capital	24	2,313	2,203	2,313	2,203
Capital redemption reserve		4,588	4,588	4,588	4,588
Share premium		13,062	12,716	13,062	12,716
Merger reserve		2,269	2,269	145	145
Translation reserve		(225)	(225)	–	–
Profit and loss account deficit		(1,467)	(3,089)	(6,081)	(5,870)
Total equity attributable to equity shareholders		20,540	18,462	14,027	13,782

The financial statements were approved by the Board of Directors and authorised for issue on 11 April 2016.

**R J Smeeton**

Director

The notes on pages 27 to 54 form part of these financial statements.

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2015

	Consolidated		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<b>Net cash flows from operating activities</b>				
Profit/(loss) before taxation	1,675	1,753	(333)	202
Depreciation and amortisation	1,747	1,630	35	35
Share option charge	122	107	122	107
Net finance expense/(income)	363	(25)	236	(137)
	3,907	3,465	60	207
Decrease/(increase) in inventories	525	(281)	–	–
(Increase)/decrease in receivables	(8)	2	–	–
(Decrease)/increase in payables	(768)	(96)	358	(168)
Interest paid	(127)	(124)	(20)	(18)
Tax paid	(109)	(4)	–	–
<b>Net cash inflow from operating activities</b>	<b>3,420</b>	<b>2,962</b>	<b>398</b>	<b>21</b>
<b>Cash flows from investing activities:</b>				
Acquisition of subsidiary undertakings	(309)	(57)	(279)	(57)
Purchase of property, plant and equipment	(640)	(243)	–	–
Expenditure on product development	(612)	(1,146)	(56)	–
<b>Net cash outflow from investing activities</b>	<b>(1,561)</b>	<b>(1,446)</b>	<b>(335)</b>	<b>(57)</b>
<b>Cash flow from financing activities:</b>				
Proceeds from issue of shares	56	23	56	23
Repayments of obligations under finance leases	(479)	(453)	–	–
Repayments of loans	(120)	–	(120)	–
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(543)</b>	<b>(430)</b>	<b>(64)</b>	<b>23</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,316</b>	<b>1,086</b>	<b>(1)</b>	<b>(13)</b>
Cash and cash equivalents at beginning of year	2,064	978	6	19
<b>Cash and cash equivalents at end of year</b>	<b>3,380</b>	<b>2,064</b>	<b>5</b>	<b>6</b>

The notes on pages 27 to 54 form part of these financial statements.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

## 1 Significant accounting policies

### General information

Universe Group plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 15. The nature of the Group's operations and its principal activities are set out on page 6.

New accounting standards that have become effective in the current year have not had a material impact on the classification or measurement of the Group's assets and liabilities, nor have they resulted in any additional disclosure.

### New standards and interpretations not applied

The Directors will continue to monitor the possible impact of IFRS 15 – Revenue from contracts with customers (effective 1 January 2018) and IFRS 16 – Leases (effective 1 January 2019). All other standards issued with an effective date after the date of these financial statements are expected to have an immaterial impact on the financial statements of the Group.

### Basis of accounting

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the EU and as applied in accordance with the Companies Act 2006.

A summary of the more significant accounting policies, which have been applied consistently, is set out below.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company has not been separately presented in the financial statements. The parent company's result for the year is disclosed in the Company statement of changes in equity on page 24.

### Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

## 1 Significant accounting policies continued

### Going concern

The Directors have undertaken a detailed review of the financial position and financial forecasts of the Group as explained in the Directors' Report on page 10 and on the basis of this review have continued to adopt the going concern basis in preparing the financial statements.

### Goodwill

For acquisitions since 1 January 2010 goodwill arising on acquisition of subsidiaries and businesses is capitalised as an asset and represents the excess of the fair value of the consideration transferred over the fair value of the identifiable net assets acquired. Identifiable net assets are those which are capable of being sold separately or which arise from legal rights regardless of whether those legal rights are separable. Contingent consideration is included in cost at its acquisition date fair value and re-measured subsequently through the income statement. Acquisition expenses are expensed through the Statement of Comprehensive Income. Goodwill arising on acquisitions which took place before 1 January 2010 represents the excess of the fair value of the consideration given, plus associated costs, for a business, over the fair value of the identifiable net assets acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

In respect of acquisitions prior to 1 January 2004, goodwill is included at the amount recorded previously under UK GAAP.

For the purpose of impairment testing goodwill is allocated to the cash-generating units of the business. Goodwill is tested for impairment annually or more frequently if impairment indicators are found. If the recoverable amount is found to be less than the carrying value, impairment is allocated first to goodwill and then pro rata to other assets in the cash-generating unit.

### Investments

Investments that are held by the Company are stated at the lower of cost and net realisable value.

### Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 1 Significant accounting policies continued

### Leasing

Where assets are acquired under finance leases (including hire purchase contracts), which confer rights and obligations similar to those attached to owned assets, the amount representing the lower of the fair value of the leased property and the present value of the minimum lease payments over the term of the lease is included in property, plant and equipment. Depreciation is provided in accordance with the accounting policy below. The capital element of future finance lease payments is included in creditors and the interest element is charged to the statement of comprehensive income and expense over the period of the lease in proportion to the capital element outstanding.

Expenditure on operating leases is charged to the statement of comprehensive income and expense on a straight-line basis.

### Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the statement of comprehensive income and expense.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

### Pension costs

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged represent contributions payable by the Group to the fund together with the administration charge of the fund. In addition, the Group continues to contribute to personal pension plans for certain employees.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

## 1 Significant accounting policies continued

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity or comprehensive income, in which case the deferred tax is also dealt with in equity or comprehensive income as appropriate.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Property, plant and equipment

The cost of property, plant and equipment is their purchase price, together with any incidental costs of acquisition.

Depreciation is charged so as to write off the cost of property, plant and equipment less residual value, on a straight-line basis over the expected useful lives of the assets concerned.

The principal annual rates used for this purpose are:

Plant and equipment	14%–33%
Leasehold improvements	Over the lease term subject to maximum of 20 years

Assets under finance leases are depreciated over useful economic life on the same basis as owned assets or, where shorter, over the term of the relevant lease.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 1 Significant accounting policies continued

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services in the normal course of business, net of discounts, VAT and other sales related taxes. The following criteria must be met before revenue is recognised:

- Sales of goods are recognised when goods are delivered and title has passed.
- Revenues from service contracts are recognised evenly over the contractual period.
- Software consultancy fees are recognised based on an assessment of project completion at the reporting date.
- Licence fees are recognised upon completion of the related installation.
- Licence maintenance fees are charged on an annual basis and are recognised evenly over the year of cover.
- Installation fees are recognised upon completion of the installation.

Where sales of goods and services involve the provision of multiple elements such as licence fees, installation fees and maintenance fees the consideration allocated to each element is measured by reference to their fair value by reference to prevailing market prices for each element delivered.

### Development expenditure

Development expenditure relating to specific projects intended for commercial exploitation is capitalised as an intangible fixed asset where the following conditions are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale,
- it is the intention of the Company to complete the intangible asset and use or sell it,
- the Company has the ability to use or sell the intangible asset,
- the intangible asset will generate probable future economic benefits,
- the technical, financial and other resources needed to complete the development and to use or sell the intangible asset are available to the Company,
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Such expenditure is amortised through cost of sales on a straight line basis over the period during which the benefits of the project are expected to arise, typically three to five years. Expenditure on research activities is recognised as an expense within administration expenses in the period in which it is incurred.

### Other intangible assets

Intangible assets separately purchased, such as software licenses, are capitalised at cost and amortised on a straight-line basis over their useful economic life. Intangible assets acquired through a business combination are measured at fair value and amortised over their useful economic lives.

The following periods are used when assessing useful economic lives for purposes of calculating amortisation charges:

Software licences	length of licence
Customer relationships	3–5 years
Customer contracts	the unexpired period of the agreement

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 1 Significant accounting policies continued

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and have maturity dates within three months of issue.

### Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

### Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs and are measured at amortised cost. Finance charges, including direct issue costs, are accounted for on an accrual basis in the statement of comprehensive income, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### Trade receivables

Trade receivables are not interest bearing and are stated at their nominal value, less provision for impairment.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 1 Significant accounting policies continued

### Share-based payment

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

### Critical estimates and judgements

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements and estimations about the future that have the most significant effect on the amounts recognised in the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Impairment of goodwill and other related intangibles

The carrying value of goodwill and other related intangibles at the year end is £14.1 million (2014: £14.1 million). An annual impairment review is performed involving judgement of the future cash flows for cash-generating units and the discount rates applied to future cash flows in order to calculate present value. Management prepare such cash flow forecasts derived from the most recent budgets approved by the Board. Sensitivity analysis is performed around these forecasts as disclosed in note 9.

### Recoverability of capitalised development costs

The capitalisation of development expenditure is a requirement of IAS 38 'Intangible Assets'. All capitalised and ongoing projects are reviewed regularly to ensure they meet the criteria for capitalisation. The key judgements required by management are around the potential impairment of the intangible assets once capitalised. These judgements surround the estimation of future cash flows to support the carrying values of assets. The carrying value of capitalised development costs at the year end was £2,367,000 (2014: £2,382,000).

### Valuation of contingent consideration

Contingent consideration payable as a result of the acquisition of Indigo Retail Holdings Limited in 2013 and Spedinorcon Limited in 2015 is calculated as the net present value of consideration that may become payable. The key judgements required by management are around the achievement of turnover in excess of baseline targets against which contingent consideration becomes payable. The carrying value of contingent consideration at the year end was £472,000 (2014: £190,000).

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

## 2 Operating profit and adjusted EBITDA

	2015 £'000	2014 £'000
Revenue	20,327	20,749
Cost of sales	(13,591)	(14,261)
Gross profit	6,736	6,488
Administrative expenses	(4,698)	(4,760)
Operating profit	2,038	1,728
Add back:		
Depreciation	903	812
Amortisation	844	818
Share based payments	122	107
Adjusted EBITDA	3,907	3,465

## 3 Turnover analysis

	2015 £'000	2014 £'000
Hardware and software licences	5,470	4,801
Service and installations	6,909	8,048
Data services	3,601	3,409
Consultancy and licence maintenance	4,347	4,491
	20,327	20,749

The geographical region analysis of income by origin is as follows:

	2015 £'000	2014 £'000
United Kingdom	16,985	16,882
Belgium	3,342	3,867
	20,327	20,749

Turnover from Belgium related primarily to a Europe-wide loyalty scheme provided by the Group to a Belgium-based customer.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 4 Operating and geographical segments

The Group has one business segment. All material operations and assets are in the UK. The trading segment is HTEC Solutions ("Solutions"). Solutions provide hardware, software and service solutions into the UK petrol and retail markets.

	Solutions 2015 £'000	Corporate 2015 £'000	Total 2015 £'000
Revenue – all external	20,327	–	20,327
Gross profit	6,736	–	6,736
Segment expenses	(4,018)	(680)	(4,698)
Segmental operating profit/(loss)	2,718	(680)	2,038
Finance expenses			(363)
Taxation			(175)
Profit for the year			1,500

	Solutions 2014 £'000	Corporate 2014 £'000	Total 2014 £'000
Revenue – all external	20,749	–	20,749
Gross profit	6,488	–	6,488
Segment expenses	(4,138)	(622)	(4,760)
Segmental operating profit/(loss)	2,350	(622)	1,728
Finance income			25
Taxation			(345)
Profit for the year			1,408

### Information about major customers

Included in revenues are revenues of approximately £5.4 million (2014: £4.0 million), £4.2 million (2014: £4.5 million) and £3.4 million (2014: £3.8 million) which arose from sales to the Group's three largest customers.

## 5 Finance (expense)/income

	2015 £'000	2014 £'000
Release of provision for contingent consideration	–	216
Interest receivable on bank deposits	10	4
	10	220
Interest payable on bank loans and overdrafts	(47)	(45)
Interest payable on finance leases	(91)	(81)
Interest provision for contingent consideration	(190)	–
Other interest	(45)	(69)
	(373)	(195)
Net finance (expense)/income	(363)	25



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 6 Profit for the year

	Total 2015 £'000	Total 2014 £'000
Cost of inventory recognised as expenses	3,256	2,973
Staff costs (note 25)	7,916	8,130
Foreign exchange	94	33
Depreciation and amortisation		
— Intangible assets	217	217
— Development costs	627	601
— Tangible, owned	417	386
— Tangible, subject to finance lease	486	426
Research and development expenditure	2,694	2,855
Auditors' remuneration (see below)	55	60
Operating lease charges – plant and machinery	430	614
Operating lease charges – property	424	421

The analysis of the Auditor's remuneration is as follows:

	2015 £'000	2014 £'000
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	10	10
The audit of the Company's subsidiaries	38	38
Total audit fees	48	48
Other fees:		
Tax compliance	7	12
Total non-audit fees	7	12
	55	60

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 7 Taxation

	2015 £'000	2014 £'000
<b>Continuing operations</b>		
<b>Current tax:</b>		
Current year	211	–
Adjustments to tax charge in respect of previous periods	(47)	–
	164	–
<b>Deferred tax (note 23):</b>		
Current year	53	247
Adjustments to tax charge in respect of previous periods	(47)	94
	6	341
Overseas tax	5	4
<b>Total tax charge</b>	<b>175</b>	<b>345</b>

### Reconciliation of tax charge

Corporation tax is calculated at 20.25% (2014: 21.5%) of the estimated assessable profit for the year.

	2015 £'000	2014 £'000
Profit before tax	1,675	1,753
Tax charge at the UK corporation tax rate of 20.25% (2014: 21.5%)	339	377
Tax effect:		
Amounts not deductible/taxable in determining taxable profit	55	(7)
Enhanced R & D tax relief	(127)	(210)
Utilisation of previously unrecognised losses	(8)	–
Adjustments to tax charge in respect of previous periods	(93)	94
Effect of rate change on closing asset	4	–
Other tax charges	5	4
Losses not utilised	–	87
Tax charge for the period	175	345

### Changes in tax rates and factors affecting the future tax charge

As a result of the Finance Act 2015 the rate of corporation tax has been reduced from 21% to 20% for periods beginning after 1 April 2015. The future rate of corporation tax enacted in The Finance Act 2015 was 18%. Accordingly, deferred tax balances as at 31 December have been recognised at 18%.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 8 Earnings per share

The calculation of the basic, diluted and operating earnings per share is based on the following data:

	2015 £'000	2014 £'000
<b>Earnings:</b>		
Profit after tax – used for basic and diluted earnings per share	1,500	1,408
Add back/(deduct) net finance charge/(income)	363	(25)
Add back taxation charge	175	345
Profit used for operating profit per share	2,038	1,728

	2015 No. '000	2014 No. '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and operating earnings per share	227,996	216,914
Weighted average number of ordinary shares for the purposes of diluted earnings per share	238,023	232,814

In the prior year 7,903,000 share options were in issue and could have potentially diluted earnings per share, but were not included in the calculation of diluted earnings per share because they were not dilutive in the prior year.

	2015 Pence	2014 Pence
Basic earnings per share	0.66	0.65
Diluted earnings per share	0.63	0.60
Operating profit per share	0.89	0.80



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 9 Goodwill and other intangibles

	Goodwill £'000	Customer Contracts £'000	Customer Relationships £'000	2015 Total £'000
<b>Cost</b>				
At 1 January 2015	13,479	334	626	14,439
Acquisitions	171	–	–	171
At 31 December 2015	13,650	334	626	14,610
<b>Amortisation</b>				
At 1 January 2015	–	148	170	318
Charge for the year	–	93	124	217
At 31 December 2015	–	241	294	535
<b>Net book amount</b>				
31 December 2015	13,650	93	332	14,075
	Goodwill £'000	Customer Contracts £'000	Customer Relationships £'000	2014 Total £'000
<b>Cost</b>				
At 1 January 2014	13,256	334	730	14,320
Adjustments to estimates	223	–	(104)	119
At 31 December 2014	13,479	334	626	14,439
<b>Amortisation</b>				
At 1 January 2014	–	55	46	101
Charge for the year	–	93	124	217
At 31 December 2014	–	148	170	318
<b>Net book amount</b>				
31 December 2014	13,479	186	456	14,121

The Group has only one cash-generating unit ("CGU"). The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group tests for impairment by preparing cash flow forecasts derived from the most recent financial budgets approved by the Board in the 2016 budget. The future cash flows are as approved by the Board based on recurring contracts and the sales pipeline and cover the next five financial years. Beyond that period operating cash flows are assumed to grow at 2% annually for the foreseeable future.

In assessing the value in use of the CGU, management have considered the potential impact of possible changes in the main assumptions used, and have calculated that a 43% shortfall in projected growth of EBITDA would cause the carrying value of the CGU to exceed its recoverable amount.

The risk adjusted pre-tax rate used to discount each of the CGU cash flow forecasts is 16.0% (2014 – 16.0%).

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 10 Development costs

	Capitalised development £'000	Software licences £'000	2015 Total £'000	Capitalised development £'000	Software licences £'000	2014 Total £'000
<b>Consolidated</b>						
<b>Cost</b>						
At 1 January	9,028	472	9,500	7,921	433	8,354
Additions	556	56	612	1,107	39	1,146
At 31 December	9,584	528	10,112	9,028	472	9,500
<b>Amortisation</b>						
At 1 January	7,030	88	7,118	6,482	35	6,517
Charge for the year	574	53	627	548	53	601
At 31 December	7,604	141	7,745	7,030	88	7,118
<b>Net book value</b>						
At 31 December	1,980	387	2,367	1,998	384	2,382

The significant capitalised development costs included above are:

	Remaining amortisation period	Net book amount £'000
Indigo point of sale and related systems	2	101
Online loyalty platform	4	536
Outside Payment Terminal	3	235
Electronics Fund Transfer platform and licenses	2-7	299
New Back Office System	5	368

### Company – software licences

	2015 £'000	2014 £'000
<b>Cost</b>		
At 1 January	348	348
Additions	56	–
At 31 December	404	348
<b>Amortisation</b>		
At 31 January	70	35
Charge for the year	35	35
At 31 December	105	70
<b>Net book value</b>		
At 31 December	299	278

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 11 Property, plant and equipment

	Leasehold Improvements £'000	Plant and equipment £'000	Total £'000
<b>Consolidated</b>			
<b>Cost</b>			
At 1 January 2015	1,130	5,735	6,865
Additions	123	530	653
Acquisitions	–	6	6
Disposals	–	(748)	(748)
At 31 December 2015	1,253	5,523	6,776
<b>Depreciation</b>			
At 1 January 2015	741	3,658	4,399
Charge for year	64	839	903
Acquisitions	–	5	5
Released on disposal	–	(748)	(748)
At 31 December 2015	805	3,754	4,559
<b>Net book value</b>			
At 31 December 2015	448	1,769	2,217
<b>Cost</b>			
At 1 January 2014	1,130	4,805	5,935
Additions	–	930	930
At 31 December 2014	1,130	5,735	6,865
<b>Depreciation</b>			
At 1 January 2014	680	2,907	3,587
Charge for year	61	751	812
At 31 December 2014	741	3,658	4,399
<b>Net book value</b>			
At 31 December 2014	389	2,077	2,466

The net book value of plant and equipment includes £860,000 (2014: £1,332,000) in respect of assets held under finance leases. The depreciation charged on these assets during the year was £486,000 (2014: £426,000).

## 12 Investments

	2015 £'000	2014 £'000
<b>Company</b>		
Investment in subsidiary undertaking		
At 1 January	17,995	17,995
Additions	–	–
At 31 December	17,995	17,995

For details of principal subsidiaries see note 31.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 13 Inventories

	2015 £'000	2014 £'000
<b>Consolidated</b>		
Raw materials	721	1,128
Work in progress	160	278
	<b>881</b>	1,406

## 14 Trade and other receivables

	2015 £'000	2014 £'000
<b>Consolidated</b>		
Trade receivables	3,269	3,177
Prepayments and accrued income	1,027	1,044
	<b>4,296</b>	4,221
<b>Company</b>		
Prepayments and accrued income	3	3

The average credit period taken on sales of goods and services is 49 days (2014: 48 days). No interest is charged on the receivables. Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Of the trade receivables balance at the end of the year, £925,000 (2014: £761,000) is due from the Group's largest customer.

Included in the Group's trade receivable balance are debtors with a carrying value amount of £1,022,000 (2014: £1,023,000) which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold collateral over these balances. Ageing of past due but not impaired receivables is:

	2015 £'000	2014 £'000
30–60 days	588	471
60–90 days	247	231
Over 90 days	187	321
	<b>1,022</b>	1,023

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. A bad debt provision of £10,000 (2014: £97,000) has been recognised.

## 15 Cash and Cash Equivalents

	<b>Consolidated</b>		<b>Company</b>	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash and cash equivalents	3,380	2,064	5	6

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 16 Trade and other payables

	Consolidated		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors	203	310	8	–
Other creditors	39	39	39	39
Accruals	1,071	1,951	99	88
Deferred income	2,155	1,963	–	–
Other taxation	977	875	–	10
	4,445	5,138	146	137

The average credit period taken for trade purchases is 13 days (2014 – 13 days).

The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 17 Current tax liabilities

	Consolidated		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Corporation tax	248	188	–	–

## 18 Borrowings

	Consolidated		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<b>Secured – at amortised cost</b>				
<b>Current</b>				
Finance lease liabilities (i)	478	477	–	–
<b>Non-current</b>				
Finance lease liabilities (i)	683	1,150	–	–
Other loans (ii)	80	200	80	200
	1,241	1,827	80	200
The borrowings are repayable as follows:				
On demand or within one year	478	477	–	–
In the second to fifth years inclusive	763	1,350	80	200
	1,241	1,827	80	200

(i) Finance lease liabilities are secured by the assets leased. The average lease term is five years. For the year ended 31 December 2015, the average effective borrowing rate was 7.9% (2014: 8.0%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

(ii) The other loans consist of five term loan notes held by Downing LLP. The loans are secured on the assets of the Group. The loans bear interest at 9.5% and are repayable in November 2017.

All borrowings are denominated in sterling.

The Directors consider that the carrying amount of the bank loans and finance lease obligations approximates to their fair value.

At 31 December 2015, the Group had available £600,000 (2014: £600,000) undrawn borrowing facilities in respect of which all conditions precedent had been met.

The Group's banking arrangements are secured by a debenture over the assets of the Group.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 19 Deferred consideration

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Payable in less than one year	6	597	–	597
Payable in more than one year	–	–	–	–
	6	597	–	597

The deferred consideration is payable on 30 April 2016 to the former owners of Spedinorcon Limited.

## 20 Contingent consideration

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Payable in less than one year	414	103	324	103
Payable in more than one year	58	87	–	87
	472	190	324	190

Contingent consideration is payable to:

- the former owners of Spedinorcon Limited in two annual tranches (on 31 May 2016 and 2017) based on sales achieved in the two years following the acquisition. Consideration accrues at the rate of 20% of the first £600,000 of sales achieved and 12.5% thereafter; and
- the former owners of Indigo Retail Holdings Limited on 30 June 2016, contingent upon the achievement of certain base levels of revenue, with consideration accruing at the rate of 11.5% of turnover above these base levels.

## 21 Amounts owed to subsidiary undertaking

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Amounts owed to subsidiary undertakings	–	–	3,725	3,376

## 22 Financial instruments

### Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 18 and 19, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed on page 23.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 22 Financial instruments continued

### Gearing ratio

The Group regularly reviews the capital structure. As part of this review, it considers the cost of capital and the risks associated with each class of capital.

	2015 £'000	2014 £'000
Debt*	(1,247)	(2,424)
Cash and cash equivalents	3,380	2,064
Net cash/(debt)	2,133	(360)
Equity†	20,540	18,462
Net debt to equity ratio	N/A	2.0%

\* Debt is defined as medium and short-term borrowings, as detailed in notes 18 and 19.

† Equity includes all capital and reserves of the Group attributable to equity holders of the parent.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 1 to the financial statements.

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Financial assets:</b>				
At amortised cost:				
Cash	3,380	2,064	5	6
Trade receivables	3,269	3,177	–	–
	6,649	5,241	5	6

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Financial liabilities:</b>				
At amortised cost:				
Trade payables	203	310	8	–
Other creditors	39	39	39	39
Accruals	1,071	1,951	99	88
Intercompany debt	–	–	3,725	3,376
Bank and other loans	80	200	80	200
Deferred consideration	6	597	–	597
Finance lease obligations	1,161	1,627	–	–
At fair value:				
Contingent consideration	472	190	324	190
	3,032	4,914	4,275	4,490



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

## 22 Financial instruments continued

### Financial risk management objectives

The Group's operations expose it to a variety of risks including the effect of changes in euro exchange rates, credit risk and liquidity risk.

### Market risk

The activities of the Company and Group expose them to the financial risks of changes in exchange rates. The Group transacts business in euros with approximately 16% (2014: 19%) of turnover denominated in that currency. In order to mitigate the risk of the exchange rate depreciating the Group aims to enter into forward currency hedging contracts equivalent to 50% of expected revenues arising in the next six month period.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In 2015 64% (2014 – 59%) of the Group's turnover was with three counterparties leading to an inherent concentration of credit risk. The Group carefully monitors the creditworthiness of these three counterparties. For new accounts the Group's policy is to only deal with creditworthy counterparties, carrying out background checks before any new accounts are opened so as to mitigate the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by senior management as and when necessary, but at a minimum annually.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

### Interest rate management

The Company and the Group are not currently exposed to interest rate risk as all Group borrowings are at fixed rates.

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At the reporting date, if interest rates had been 1% higher/lower throughout the period and all other variables were held constant, the Group and Company's net profit and equity reserves for the year ended 31 December 2015 would decrease by £Nil (2014: £Nil). This is mainly attributable to the Group and Company's limited exposure to variable interest rates at the beginning of the previous financial year. A 1% movement in basis points has been used as this provides a benchmark against which to measure any future interest rate movements.

### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which reviews and manages the Group's short and medium-term funding and liquidity requirements on a regular basis. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by regularly monitoring forecast and actual cash flows whilst attempting to match the maturity profiles of financial assets and liabilities.

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 22 Financial instruments continued

Group	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
<b>2015</b>							
<i>Non-interest bearing:</i>							
Trade payables	–	203	–	–	–	–	203
Deferred consideration	–	–	6	–	–	–	6
Contingent consideration	–	–	–	419	71	–	490
<i>Fixed interest rate:</i>							
Finance leases	7.9	37	247	285	723	145	1,437
Other loans	9.5	–	3	4	87	–	94
		240	256	708	881	145	2,230
<b>2014</b>							
<i>Non-interest bearing:</i>							
Trade payables	–	310	–	–	–	–	310
Deferred consideration	–	–	600	–	–	–	600
Contingent consideration	–	–	–	110	110	–	220
<i>Fixed interest rate:</i>							
Finance leases	8.0	39	247	284	1,018	358	1,946
Other loans	9.5	–	9	10	57	219	295
		349	856	404	1,185	577	3,371

The above finance lease payments are the minimum lease payment totals and include £276,000 of interest (2014: £319,000)

Company	Weighted average effective rate %	Less than 1 month £'000	1 to 6 months £'000	6 months to 1 year £'000	1 to 3 years £'000	More than 3 years £'000	Total £'000
<b>2015</b>							
<i>Non-interest bearing:</i>							
Trade payables	–	8	–	–	–	–	8
Intercompany debt	–	3,725	–	–	–	–	3,725
Contingent consideration	–	–	–	323	–	–	323
<i>Fixed interest rate:</i>							
Other loans	9.5	–	3	4	87	–	94
		3,733	3	327	87	–	4,150
<b>2014</b>							
<i>Non-interest bearing:</i>							
Trade payables	–	–	–	–	–	–	–
Intercompany debt	–	3,376	–	–	–	–	3,376
Deferred consideration	–	–	600	–	–	–	600
Contingent consideration	–	–	–	110	110	–	220
<i>Fixed interest rate:</i>							
Other loans	9.5	–	9	10	57	219	295
		3,376	609	120	167	219	4,491

The fair value of the Group's financial assets and liabilities is not materially different from the carrying values in the balance sheet.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

## 22 Financial instruments continued

### Financial instruments measured at fair value

The reconciliation of the opening and closing fair values of level 3 financial instruments is provided below:

	Group £'000	Company £'000
<b>Contingent consideration</b>		
At 1 January 2014	382	382
Increase included in Finance Expenses	24	24
Decrease included in Finance Income	(216)	(216)
At 31 December 2014	190	190
At 1 January 2015	190	190
Recognised upon Acquisition (see note 34)	128	–
Increase included in Finance Expenses	233	213
Payment of contingent consideration	(79)	(79)
At 31 December 2015	472	324

## 23 Deferred tax liability

The movement on the net provision for deferred taxation is as follows:

	2015 £'000	2014 £'000
Net (liability)/asset at 1 January	(258)	83
Recognised in the statement of comprehensive income	(6)	(341)
Net liability at 31 December	(264)	(258)

The carrying value of deferred tax balances at the balance sheet date and the amounts recognised in the statement of total comprehensive income during the year were as follows:

	2015 Carrying Value £'000	2014 Carrying value £'000	Recognised in the year £'000
Tax losses	–	11	(11)
Share options	138	130	8
Fixed asset timing differences	(402)	(399)	(3)
	(264)	(258)	(6)

Deferred tax asset balances have been recognised in the prior year as there was a reasonable probability the balance would be recovered.

At the balance sheet date, the Group has further unutilised tax losses of £1,767,000 (2014: £1,590,000) available for offset against future profits. A deferred tax asset has not been recognised in respect of these losses due to the uncertainty of its recoverability.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 24 Called up share capital

Group and Company	2015 £'000	2014 £'000
<i>Authorised, allotted, called up and fully paid:</i>		
231,286,435 Ordinary shares of 1p each		
(2014: 220,281,758 ordinary shares of 1p each)	2,313	2,203

The Company has one class of ordinary shares which carry no right to fixed income.

### Capital issue

On 31 May 2015 5,442,177 ordinary shares were issued in respect of the satisfaction of deferred consideration arising upon the acquisition of Indigo Retail Holdings Limited in 2013.

### Share options

Share options awards are disclosed at note 30. During the year 5,562,500 ordinary shares were issued in respect of share option exercises.

## 25 Employee and Directors

	Consolidated		Company	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Group</b>				
Wages and salaries	7,023	7,204	290	260
Social security costs	704	734	29	26
Pension costs	189	192	26	24
	7,916	8,130	345	310

The average number of people (including Executive Directors) employed during the year:

	Consolidated		Company	
	2015 No.	2014 No.	2015 No.	2014 No.
Production/services	116	113	–	–
Sales/marketing	14	13	–	–
Research and development	48	46	–	–
Administration	22	26	2	2
	200	198	2	2

Emoluments paid to the highest paid Director were as follows:

	2015 £'000	2014 £'000
Aggregate emoluments	237	306
Company pension contribution to money purchase pension scheme	17	14
	254	320

There are three directors (2014: two) to whom retirement benefits accrued under money purchase schemes during the year.

Further details of the Directors' remuneration are included in the Directors' Remuneration Report on pages 18 to 20.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 26 Pension commitments

The Group operates a defined contribution scheme. The assets of the scheme are held separately from these of the Group in funds under the control of investment managers. The pension costs charged represent contributions payable by the Group to the fund amounting to £189,000 (2014: £192,000), together with the administration charge of the fund. In addition, the Group continues to contribute to personal pension plans for certain of its employees. As at 31 December 2015 contributions of £37,000 (2014: £76,000) due in respect of the current reporting period had not been paid over to the scheme.

## 27 Operating lease commitments

At 31 December 2015 the Group has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Property £'000	2015 Plant and Machinery £'000	Total £'000	Property £'000	2014 Plant and Machinery £'000	Total £'000
Within 1 year	393	26	419	393	261	654
Between 2 and 5 years	1,576	501	2,077	1,636	288	1,924
After 5 years	–	–	–	323	–	323
Total	1,969	527	2,496	2,352	549	2,901

## 28 Contingent liabilities

The Group has given a duty deferment guarantee to HMRC of £5,000 (2014: £5,000).

## 29 Capital and other financial commitments

As at 31 December 2015 the Group had not entered into any contracts for future capital expenditure (2014: £Nil).

## 30 Share-based payments

At 31 December 2015 the outstanding share options, which include the share options granted to Directors, are as shown below:

	Date of Grant	Exercise price (p)	Number of shares	Date from which exercisable	Expiry date
Approved EMI scheme	30 July 2010	1	937,500	30 July 2013	30 July 2020
	5 November 2010	1	375,000	5 November 2013	5 November 2020
	26 January 2012	1	312,500	26 January 2015	26 January 2022
	18 December 2012	1	250,000	18 December 2012	18 December 2022
	26 July 2013	4.25	1,750,000	26 July 2016	26 July 2023
	13 November 2013	4.5	3,440,000	13 November 2016	13 November 2023
	28 October 2014	5.5	1,808,500	28 October 2017	28 October 2024
Unapproved scheme	30 July 2010	1	625,000	30 July 2013	30 July 2020
	5 November 2010	1	500,000	5 November 2013	5 November 2020
	26 January 2012	1	312,500	26 January 2015	26 January 2022
	18 December 2012	1	1,750,000	18 December 2012	18 December 2022
	26 July 2013	4.25	1,750,000	26 July 2016	26 July 2023
	13 November 2013	4.5	560,000	13 November 2016	13 November 2023
	28 October 2014	5.5	1,994,500	28 October 2017	28 October 2024

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 30 Share-based payments continued

### Summary of share option schemes in operation during the year

The Directors' Remuneration Report on pages 18 to 20 describes the plans to which IFRS 2 applies. In summary, the Group operated the following plans during the period:

- Enterprise Management Incentive ("EMI") Plan
- Discretionary Unapproved Share Option Plan

The Group recognised a total expense of £122,000 in 2015 (2014: £107,000).

### Equity-settled share option schemes

The options are subject to performance conditions. For awards made prior to 31 December 2012 the performance condition was for the share price to increase to 5 pence. This condition has been satisfied. For options issued on 26 July 2013 the performance condition was for the share price to increase to 6 pence. This condition has been satisfied. For options issued on and after 13 November 2013 the performance condition was for the share price to increase to 9.5 pence. This condition has been satisfied. Where options remain unexercised after a period of ten years from the date of grant the options expire. Moreover, the options will lapse in the case of termination of employment, subject to the good leaver provisions or the Remuneration Committee exercising its discretion to permit options to be exercised.

The total number of shares under option at 31 December 2015 is as follows:

	Number of share options No.	Weighted average exercise price pence
<b>Unapproved share options</b>		
Outstanding at beginning of period	12,304,500	2.35
Granted during the period	–	–
Exercised during the period	(4,812,500)	1.0
Outstanding at the end of the period	7,492,000	3.2
Exercisable at the end of the period	3,187,500	1.0

All acquisitions under the plan are equity-settled.

	Number of share options No.	Weighted average exercise price pence
<b>EMI share options</b>		
Outstanding at beginning of period	9,723,500	3.7
Granted during the period	–	–
Exercised during the period	(750,000)	1.0
Cancelled	(100,000)	5.5
Outstanding at the end of the period	8,873,500	3.9
Exercisable at the end of the period	1,875,000	1.0

The options outstanding at 31 December 2015 had a weighted average exercise price of 3.6 pence (2014: 3.0 pence) and a weighted average remaining contractual life of seven years (2014: eight years).

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 30 Share-based payments continued

The fair value per award granted and the assumptions used in the calculations are as follows;

Date of Grant	Type of award	Number of shares	Exercise price (p)	Share price at date of grant (p)	Fair value option (p)	Award life (years)
30 July 2010	EMI	937,500	1	3	1	3
30 July 2010	Unapproved	625,000	1	3	1	3
5 November 2010	EMI	375,000	1	3	1	3
5 November 2010	Unapproved	500,000	1	3	1	3
26 January 2012	EMI	312,500	1	3	1	3
26 January 2012	Unapproved	312,500	1	3	1	1
18 December 2012	EMI	250,000	1	3	1	–
18 December 2012	Unapproved	1,750,000	1	3	1	–
26 July 2013	EMI	1,750,000	4.25	4.25	2	3
26 July 2013	Unapproved	1,750,000	4.25	4.25	2	3
13 November 2013	EMI	3,440,000	4.5	7.25	4	3
13 November 2013	Unapproved	560,000	4.5	7.25	4	3
28 October 2014	EMI	1,808,500	5.5	5.5	3.3	3
28 October 2014	Unapproved	1,994,500	5.5	5.5	3.3	3
		16,365,500				

The key assumptions used in calculating the share-based payments charge are as follows;

- Fair value of each option was based on the share price at the date of grant and adjusted for the risk relating to satisfaction of the performance condition.
- Satisfaction of the performance condition has been assessed across a range of possible outcomes in order to determine the likelihood of the options vesting.
- The award life represents the minimum likely vesting period and consequently the highest per annum share-based payment charge.

## 31 Principal subsidiaries

Name	Place of incorporation	Issued and full paid share capital	Percentage held	Business
HTEC Group Ltd	England and Wales	Ordinary £1	100% held	Holding Company
HTEC Ltd*	England and Wales	Ordinary 1p	100% held	Manufacture and development of payment and information systems
High Technology Electronic Clearance SL*	Spain	Ordinary €6	100% held	Dormant
HTEC Ltd*	Portugal	Branch, no share capital	100% held	Dormant
WSF Services Ltd	Scotland	Ordinary £1	100% held	Dormant
Prepaid Card Management Ltd*	England and Wales	A/B share £0.01	51% held	Dormant
Indigo Retail Holdings Ltd	England and Wales	Ordinary £1 A and B shares	100% held	Holding Company
Indigo Retail Technology Ltd*	England and Wales	Ordinary £1	100% held	Dormant
HTEC Retail Services Limited*	England and Wales	Ordinary £1	100% held	Dormant
Spedinorcon Limited*	England and Wales	Ordinary £1	100% held	Dormant

\* Investments held in a subsidiary company.

All the above companies are included in the consolidated Group results.

# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 32 Related parties – Company

	Debits to intercompany indebtedness	
	2015 No.	2014 No.
<b>Balances with HTEC Limited</b>		
Funding transactions	(1,029)	(561)
Management recharge	680	662

Amounts owed to subsidiaries are disclosed in note 21.

### Remuneration of key personnel

Details of the remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information regarding the Directors' individual remuneration package is provided in the Directors' Remuneration Report on pages 18 to 20.

	2015 £'000	2014 £'000
Short-term employee benefits	515	588
Post employment benefits	33	23
Employers NIC	64	74
Share-based payments	115	98
	<b>727</b>	<b>783</b>

## 33 Material non-cash transactions

During the year the Group entered into £13,000 (2014: £687,000) of finance leases for computer equipment.

During the year the Group settled £400,000 of deferred consideration arising on the acquisition of Indigo Retail Holdings Limited in 2013 by issuing ordinary shares in the Company.

These transactions are not reflected in the Group and Company cash flow statement.



# NOTES FORMING PART OF THE FINANCIAL STATEMENTS

continued

for the year ended 31 December 2015

## 34 Acquisition of Spedinorcon Limited

On 2 April 2015 the Group acquired 100% of the voting equity instruments of Spedinorcon Limited, a Company whose principal activity is the development, supply and support of point of sale and related systems to the retail market. The principal reason for this acquisition was to expand the Group's reach into related markets.

Details of the fair values of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value £'000	Adjustment £'000	Fair Value £'000
Property, plant and equipment	1	–	1
Receivables	67	–	67
Payables	(195)	120	(75)
Total net liabilities	(127)	120	(7)
Upon acquisition £120,000 of loans were converted into contingent consideration.			
<i>Fair value of consideration paid</i>			
Cash			30
Deferred consideration			10
Contingent consideration			128
Net current liability adjustment			(4)
Total consideration			164
Goodwill (note 9)			171

The goodwill arising on the acquisition is not deductible for tax purposes.

Acquisition costs of £25,000 arose as a result of the transaction. These costs have been recognised as administrative expenses in the statement of comprehensive income. The deferred consideration, less the net current liability adjustment, is payable on 30 April 2016. Contingent consideration is payable 45 days after the first and second anniversaries of the acquisition. The consideration is payable at the rate of 20% of the first £600,000 of turnover and 12.5% thereafter, with turnover measured cumulatively for the two years.

Since the acquisition date Spedinorcon has contributed £0.3 million to Group revenues. If the acquisition had occurred on 1 January 2015, Group revenue would have been £0.2 million higher. As Spedinorcon was fully integrated into HTEC shortly after acquisition it is not possible to disclose profit figures directly attributable to the acquisition.

## 35 Post balance sheet event

On 18 January 2016 9.9 million share options over the 1p ordinary shares of the Company were issued to the Executive Directors and senior management team of the Group.

Three tranches of options were issued, all at an exercise price of 9 pence per share, but with different performance and investment conditions attached, as set out below:

	No. of options	Vesting price	Investment condition
Tranche 1	3.3m	13.5p	No conditions
Tranche 2	3.3m	21p	15% of gross salary, in 2016
Tranche 3	3.3m	32p	20% of gross annual bonus, in 2017, 2018 and 2019

The vesting price must be achieved by reference to the average share price in the four week period following the announcement of the Group's 2018 results.

# FIVE YEAR SUMMARY

	2011 £'m	2012 £'m	2013 £'m	2014 £'m	2015 £'000
<b>Income and expenditure:</b>					
Revenue from continuing operations	10.5	11.9	15.9	20.7	20.3
Gross profit	4.0	4.4	5.5	6.5	6.7
Operating profit before adjustments*	1.0	1.2	1.4	1.7	2.0
Adjustments*	(0.5)	(0.2)	0.0	0.0	0.0
Operating profit	0.5	1.0	1.4	1.7	2.0
Net finance expense	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)
Adjustment to estimates†	0.0	0.0	0.0	0.2	(0.2)
Profit before tax	0.2	0.8	1.2	1.7	1.7
Tax	0.0	0.0	0.1	(0.3)	(0.2)
Profit after tax	0.2	0.8	1.3	1.4	1.5
Impairment of goodwill on discontinued business	(1.2)	0.0	0.0	0.0	0.0
Retained (loss)/profit	(1.0)	0.8	1.3	1.4	1.5
<b>Cash flows:</b>					
Cash inflow from operating activities	0.8	2.1	2.1	3.0	3.4
Cash outflow from investing activities	(0.3)	(0.9)	(1.8)	(1.5)	(1.6)
Cash outflow from financing activities	(0.5)	(0.5)	(0.4)	(0.4)	(0.5)
Increase in cash in the year	0.0	0.7	(0.1)	1.1	1.3
<b>Assets employed:</b>					
Non-current assets	13.3	13.9	18.5	19.0	18.7
Net current (liabilities)/assets	(0.6)	1.0	0.1	1.2	2.9
Non-current liabilities	(1.1)	(0.8)	(2.1)	(1.7)	(1.1)
	11.6	14.1	16.5	18.5	20.5
<b>Financed by:</b>					
Share capital and related reserves	16.5	18.1	19.1	19.6	20.0
Other reserves	2.0	2.0	2.0	2.0	2.0
Profit and loss account deficit	(6.9)	(6.0)	(4.6)	(3.1)	(1.5)
	11.6	14.1	16.5	18.5	20.5
<b>Earnings per share:</b>					
	p	p	p	p	p
Basic earnings per share	(0.90)	0.58	0.66	0.65	0.66
Diluted earnings per share	(0.90)	0.58	0.62	0.60	0.63
Operating profit per share	0.39	0.73	0.67	0.80	0.89
	millions	millions	millions	millions	millions
Number of shares for basic EPS	114.7	142.0	201.5	216.9	228.0
Number of shares for diluted EPS	114.7	142.0	214.1	232.8	238.0

\* Adjustments to operating profit in 2011 and 2012 reflect exceptional items and the loss on discontinued activities but exclude the related goodwill impairment, which is disclosed separately.

† Adjustment to estimates relates to contingent consideration estimates which are recalculated annually.

# SHAREHOLDER NOTES





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